

Chair Steve Ostler
Director Kevin Carter

**Board of Trustees
School & Institutional Trust Lands Administration
Salt Lake City, Utah
November 21, 2013**

Minutes

Attending:

Board

Steve Ostler
David Ure
Jim Lekas
Tom Bachtell
Mike Mower

Staff

Kevin Carter
John Andrews
Ron Carlson
Lisa Schneider
Kim Christy
Deena Loyola
Rodger Mitchell
LaVonne Garrison
Tom Faddies
Michelle McConkie
John Newhall
Nannette Johnson

Others in Attendance:

Tim Donaldson, Utah State Office of Education
Paula Plant, Utah State Office of Education
Karen Rupp, Utah State Office of Education
Aaron Garrett, Utah State Office of Education
Margaret Bird, University of Utah/Utah State
Betsy Ross, Legislative & Government Affairs, State Treasurer
Bruce Williams, Utah State Office of Education

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Index Item	Page
1. Welcome	3
2. Approval of Board Minutes	3
3. Confirmation of Upcoming Meeting Dates	3
4. Consent Calendar	3
Consent	
No Consent Items for November	
Notification	
a. Clarification of OBA Description of a Mineral Lease Presented in June	3
b. Site Visit Follow-up for Acquisition from September Meeting	3
Follow-up after Six Months	
c. OBA with Axia Energy in Duchesne County	3
d. Proposed Amendment #3 DEVL 729 – Sun River St. George Development, L.C. (Sun River Active Adult Retirement Community)	3 3
e. Henry Walker Homes Proposal Developing 192 acres Green Springs Parcel	3
5. Chair’s Report	
a. Advisory Committee Creation to Advise the Board on Book Cliffs	4
b. Appointment of Dr. Elizabeth Tashijan to Investment Advisory Committee	6
c. Beneficiary Report: Defining Risk [A philosophical discussion]	6
6. Director’s Report	
a. New Board Policy Statement for Capital Expenditures	7
b. New Board Policy Statement for Inter-beneficiary Loans	7
c. Discussion Regarding Status of Bishop Land Exchange Exploratory Process	8
A closed session for a personnel discussion was added upon request during the meeting	8

1. **Welcome**

Chairman Ostler welcomed those in attendance and excused Louie Cononelos and announced the appointment of a new Board member, who will take the Oath of Office at the next Board meeting.

2. **Approval of Board Minutes**

The Board approved the minutes of September 26, 2013, with the revisions.

“I move we approve the minutes of September 26, 2013, with the revisions provided by Board members.”

Ure/Lekas Unanimous

Roll Call:

Steve Ostler – yes Jim Lekas – yes
Dave Ure – yes Mike Mower – yes
Tom Bachtell – yes

3. **Confirmation of Upcoming Meeting Dates**

January 23	Salt Lake City
February	No Meeting
March 20	Salt Lake City
April 16-17	Board Retreat
May 15	Salt Lake City
June 19	Salt Lake City
July	No Meeting
August 21	Salt Lake City
September 18	Salt Lake City
October 15-16	West Desert
November 20	Salt Lake City
December	No Meeting

The Board identified no conflicts at this time with the proposed schedule for 2014 Board meetings. Dave Ure asked Board members to consider topics to suggest for the retreat in April.

4. **Consent Calendar**

Consent

No Consent items for this agenda.

Notification

- a. Clarification of OBA Description of a Mineral Lease Presented in June
- b. Site Visit Follow-up for Acquisition from September Meeting

There were no comments on these Notification items.

Follow-up after Six Months

- c. OBA with Axia Energy in Duchesne County
- d. Proposed Amendment #3 to DEVL 729 – Sun River St. George Development, L.C. (Sun River Active Adult Retirement Community)
- e. Henry Walker Homes Proposal for Developing 192 acres on Green Springs Parcel

There were no comments on the Follow-up items.

5. **Chair's Report**

Chairman Ostler acknowledged the untimely passing of Assistant Director, Doug Buchi. Jan Buchi and members of their family were in attendance to accept gifts in recognition of the working relationship shared with Doug and his lasting contributions to the schoolchildren of Utah.

a. **Advisory Committee Creation to Advise the Board on Book Cliffs**

Director Carter summarized the requirement for a committee to advise on habitat policies, opportunities, and the maintenance or replacement of impacted habitat in One-eye and Bogart Canyon.

The composition of the committee proposes the Assistant Director for Oil and Gas as a non-voting member responsible for coordination of the committee efforts. One Board member (Tom Bachtell) and an alternate (Jim Lekas) are recommended as members of the committee. Other proposed nominations include a representative from the Governor's Office of Energy Development, two nominations from the Division of Wildlife Resources, and two nominations from the hunting and sportsman's community. Tim Donaldson is recommended as the committee member to represent the Beneficiaries. The Board will make seven appointments to the committee from nominations.

The charter defines that committee members will consult with and provide information to Anadarko concerning opportunities and how the work will proceed to mitigate any actions impacting habitat in the area. Anadarko will be invited to meetings to give updates on the project and potential activity that might disturb the site or the herd.

The committee will submit proposed mitigation measures to Administration. Anadarko may voluntarily subscribe to the proposed measures. The committee will be mindful of possible policy suggestions for consideration by the Board. Minutes and recommendations by the committee will be available.

Tom Bachtell discussed the confidence in the work by Anadarko to be conducted in a manner that will not significantly impact habitat.

There are three next steps for action by the Board.

- Formally establish the seven-member Advisory Committee as defined.
- Adopt the Charter as outlined.
- Instruct the activity to move forward for defining nomination of committee members

Dave Ure asked if Advisory Committee meetings would be open public meetings. Director Carter confirmed the creation of a committee as a statutorily authorized process is subject to all government requirements. Mr. Ure emphasized the need to advertise the meetings as an open public meeting.

Mike Mower expressed support for the advisory committee from the Governor's Office and offered assistance in gathering names for nomination as members on the committee.

5. Chair's Report (Continued)

a. Advisory Committee Creation to Advise the Board on Book Cliffs (Continued)

Dave Ure asked if an individual could apply to be a committee member. Specific groups will be asked to submit names and individuals can also submit names for consideration and appointment by the Board.

Mr. Lekas expressed the opinion that membership on the committee should include individuals from the local Uintah Basin Office of the Division of Wildlife Resources who actively know and work in the area.

Director Carter said nominations from the Governor's Office for hunting and sportsman representation would be welcomed for nomination.

The committee asked the Board for a telephonic meeting to review nominations in December in preparation for the first meeting of the Wildlife Advisory Committee in January.

Before voting on the steps for action, Jim Lekas identified a wording change to eliminate the text "or the health" in the charter. He emphasized a need for focus on surface disturbance and loss of habitat.

"I make the motion for the creation of a seven member Wildlife Advisory Committee, with the charter as amended, and staff to work parallel with Board."

Ure/Mower Unanimous

Roll Call:

Steve Ostler – yes Jim Lekas – yes
Dave Ure – yes Mike Mower – yes
Tom Bachtell – yes

Mike Mower suggested an action by the Board to appoint Tom Bachtell and Jim Lekas as representatives for the Board. The Chairman asked that the committee, including Board representatives, be approved at the next meeting.

Dave Ure asked when the committee would expire. A sunset date will be added to the charter with the requirement to make a request of the Board to extend the life of the committee beyond the sunset date.

"I make a motion to add a sunset provision for the Wildlife Advisory Committee to expire in five years."

Bachtell/Mower Unanimous

Roll Call:

Steve Ostler – yes Jim Lekas – yes
Dave Ure – yes Mike Mower – yes
Tom Bachtell – yes

5. Chair's Report (Continued)

b. Appointment to Investment Advisory Committee

The Investment Advisory Committee advises the state treasure. The Board appoints a member to the committee. Chairman Ostler proposed the Board appoint the recommendation of an outside expert.

“I move we approve the appointment of Dr. Elizabeth Tashijan to the Investment Advisory Committee.”

Mower/Lekas Unanimous

Roll Call:

Steve Ostler – yes Jim Lekas – yes
Dave Ure – yes Mike Mower – yes
Tom Bachtell – yes

c. Beneficiary Report: Defining Risk

Tim Donaldson presented a philosophical discussion of risk and the approach to risk for the administration of Trust Lands. He used a PowerPoint presentation to introduce perspectives. Topics covered in the presentation included.

- 10-Year SITLA Risk and Return
- Political Risks
- Perceptions of Risk
- Diversification
- Investment and Speculation
- Liability Driven Measures
- Loss of Revenue

Mr. Donaldson asked the Board to consider earning targets for contributions made to the permanent fund and to measured risk in terms of failure to meet the goal. Mr. Donaldson indicated the key point is to define risk and be aware of the risk exposure.

Tom Bachtell offered a perspective for value of revenue through royalties as a low risk pursuit. He expressed concern for morale in setting goals that are the same year after year. Mr. Bachtell suggested consideration for identifying ways of supporting production to lead to payment of royalties.

Director Carter discussed consequences of a target that is connected to a previous year's targets. In the past, the fiscal analyst was critical of targets and may not have understood the varied revenue objectives each year. The Director emphasized support for a well-defined target approach that is not just earnings alone but for new projects, too.

Tim Donaldson closed with a suggestion for further discussion at the Board retreat in April.

6. Director's Report

Director Carter reviewed the status of the recruitment for an Assistant Director position. Following a review of applicants, a list of top candidates will be scheduled for interviews and the Chairman will be asked to join the interviews.

The Director reminded the Board members that the Western States Land Commissioners Association Conference in Little Rock Arkansas is in January. Board members are encouraged to consider attending.

a. New Board Policy Statement for Capital Expenditures

Director Carter introduced a policy requested by Beneficiaries for Board consideration. He reviewed how the budget is presented in August, but the funds will not begin being spent until the following July. For that reason, the capital budget request does not include details. There has been a gentleman's agreement that capital investments over \$100,000 are submitted for Board approval before proceeding. The policy formalizes the process currently being followed.

Mike Mower asked how frequently capital investments have been proposed for consideration by the Board. Director Carter indicated it varied over recent years adding that some years can have frequent proposals.

Jim Lekas asked how much flexibility the agency and the Board has in capital investments outside of a development project. He then proposed the removal of the word "development" in the text of the policy.

"I make the motion to support the Board policy for capital expenditures with the removal of the word 'development' in the first line."

Mower/Bachtell Unanimous

Roll Call:

Steve Ostler – yes Jim Lekas – yes
Dave Ure – yes Mike Mower – yes
Tom Bachtell – yes

b. New Board Policy Statement for Inter-beneficiary Loans

Director Carter outlined the concern for loaning of funds to other beneficiaries to acquire property and complete work on the project. The proposed policy outlines standards for a project with joint beneficiaries.

The Board discussed concerns for the appropriateness for the Board to approve transactions negotiated for multiple beneficiaries and for maintaining group synergy if the Board does not consider and approve these transactions. The issue was discussed as a cash flow concern more than a profit and loss scenario. The Board discussed promoting loans from a different source (other than another beneficiary) and exploring financial viability of a beneficiary before approving a project.

Following the discussion, the Board requested more time to consider the inter-beneficiary loans policy. Suggested changes under consideration include adding the word "project" to the second paragraph to read, "...inter-beneficiary project loan that extends..." and adding item (f) to the second paragraph to read, "Consult with effected beneficiaries." The policy will be reconsidered in January.

Chairman Ostler asked for no action on the policy and requested the topic be placed on the January agenda.

6. Director's Report (Continued)

c. Discussion Regarding Status of Bishop Land Exchange Exploratory Process

Director Carter referred to an update prepared by John Andrews outlining status of exchange proposals. The Hill Creek Bill is packaged with other Congressional bills. The Hill Creek Bill has a high probability of passing Congress in the near future.

Director Carter discussed the Recreation Exchange. Title reports are complete and have been accepted by the Department of Justice. All obstacles for SITLA have been overcome. Legislative approvals, along with statutory and regulatory requirements, were fulfilled long ago.

The Bishop Land Exchange Exploratory Process is moving forward. Director Carter has a 60-page report he can make available to Board members. The report does not include any land designations but does provide the positions of all the parties and their needs related to an exchange. The next objective will be to put ideas on a map to decide on designations for wilderness, national conservation, and unprecedented State managed wilderness areas. The agency will move ahead with a San Rafael Swell and Desolation Canyon proposal that currently has widespread support. The agency may consider proposing land in San Juan County as part of a later phase.

Dave Ure suggested exchange discussions take place in closed session.

John Andrews referred to a memorandum provided to Board members as a confidential document to provide details related to the exchanges.

Director Carter recommended "Dynamics of an Exchange" as a topic for the retreat in April.

Jim Lekas asked John Andrews to include maps with updates to assist the Board in being fully informed.

Chairman Ostler asked the Land Exchange subcommittee for their perspective on the process.

Tom Bachtell indicated the process is complicated. There are relevant details on each parcel. Issues may be unresolved because each parcel in the exchange has unique complexities. In consideration of future opportunities, he requested a report on opportunities in the Uncompahgre Indian Reservation area where SITLA will gain land when the Recreation Exchange is complete.

Dave Ure requested the Board go into closed session to discuss a personnel matter.

"I make a motion for the Board to go into closed session to discuss personnel issues."

Ure/Lekas Unanimous

Roll Call:

Steve Ostler – yes Jim Lekas – yes
Dave Ure – yes Mike Mower – yes
Tom Bachtell – yes

Closed Session (Continued)

The Board went into closed session at 11:30 am with five Board members and the Director. The closed session ended at 11:50.

“I move that we return to open session.”

Ure/Bachtell Unanimous

Roll Call:

Steve Ostler – yes Jim Lekas – yes
Dave Ure – yes Mike Mower – yes
Tom Bachtell – yes

Upon return to open session and a motion by the Board, the meeting was adjourned.